

WASATCH MOUNTAIN RAILWAY & DEVELOPMENT COMPANY

DISCLOSURE STATEMENT

This Statement is furnished in connection with a Stock Purchase Agreement executed by the 17 initial purchasers of common stock of Wasatch Mountain Railway & Development Company ("the Company") who are acquiring 62,900 shares of the common stock of the Company on a private basis. The Stock Purchase Agreement is being dated as of the incorporation date in order to memorialize the verbal agreement among the purchasing group to form the Company and initiate preparations for its proposed business. However, this disclosure statement is prepared as of approximately June 11, 1971 to reflect the Company's current status, including the financial statements attached hereto.

HISTORY AND BUSINESS

The Company was incorporated under the laws of the State of Utah in January, 1971, for the purpose of acquiring and operating a scenic steam railway in Provo Canyon between Heber City and Bridal Veil Falls. The temporary offices of the Company are located at 40 East First North, Heber City, Utah.

On May 15, 1969 the Utah State Highway Department negotiated a contract with the Denver & Rio Grande Railway for the purchase of its right-of-way and railroad trackage located in Provo Canyon. The Highway Department intended to use portions of the right-of-way for highway purposes and to relocate the rails and ties to other railroad projects. Purchase of the property was made and Federal aid reimbursement obtained on this basis. After subsequently requesting bids for removal of the tracks and ties, the Highway Department was approached by a group of citizens made up of representatives from the Wasatch County Commission, Heber City, and the Wasatch Chamber of Commerce proposing use of a portion of the trackage for a tourist excursion run between Heber City and Bridal Veil Falls. This group requested that the Commission defer

action on track removal which resulted in the Commission's decision to postpone removal of the tracks until April 1, 1972 while a study to determine the feasibility of the tourist line was to be completed.

A joint resolution was subsequently passed by the 1971 session of the Utah State Legislature proposing the transfer of ownership of 18.5 miles of the railroad right-of-way (Heber City to Bridal Veil Falls) from the State Road Commission to the Utah Division of Parks and Recreation. A verbal agreement in principal has since been reached that would provide for (1) the sale by the Road Commission to the Division of Parks and Recreation of the railroad right-of-way and tracks from Heber City to Deer Creek Dam (11 miles) at the price which the Road Commission paid and (2) the execution of a short-term lease plus an option to purchase the right-of-way between Bridal Veil Falls and the Deer Creek Dam (7.5 miles). It is contemplated that the Company will acquire from the Division of Parks and Recreation a long-term lease on the property between Heber City and Deer Creek Dam and a short-term lease with renewal options on the property from the Dam to the Falls. Although responsible officials of the State agencies involved have indicated their willingness to reach final agreements on the basic terms outlined above, the Company at present has no legally enforceable right to compel these agencies to agree to the lease terms being negotiated. There is therefore no assurance that acceptable lease terms and renewal rights may be arranged and the possibility exists that the proposed business of the Company may therefore never be initiated, in which case all or part of the investment made pursuant to this disclosure statement may be lost through preparation expenditures by the Company.

The Company has entered into a lease agreement with the Wasatch Railway Museum and Foundation, Inc., for the lease of railroad equipment, parts and supplies, for a term equal to the lease period obtained by the Company from the State of Utah for the right-of-way and trackage

described above. The rent for the equipment leased shall be 10% of ticket sales after all operating expenses have been deducted. Sufficient rolling stock, equipment and parts should be available to the Company to commence and carry out its initial operations.

The Company proposes to commence operations in the summer of 1971 providing service between Heber City and Bridal Veil Falls, a distance of about 18.5 miles. After start-up in the summer of 1971, the proposed full operating season in future years would begin on the Saturday closest to Memorial Day and end on Labor Day, with four round trips daily, with charter runs and weekend operations during May and September, weather permitting.

It is contemplated that substantial additional financing will become necessary in order for the Company to expand its operations to a profitable basis. There is no assurance that such financing may be obtained or that the resulting operations will be profitable.

DESCRIPTION OF SECURITIES

The capital stock of the Company consists of 550,000 shares of \$1.00 par value Common Stock, the only class of stock authorized to be issued. Each share is entitled to one vote on all matters to be voted on by shareholders. Voting and dividend rights are non-cumulative enabling a majority of the shareholders to elect all of the Directors of the Company; the stock is non-assessable. There are no pre-emptive rights and all shares have equal rights in voting and dividends.

Each of the purchasers has represented to the Company that he is a resident of the State of Utah and that these shares are being acquired for investment purposes and not with a view to distribution. Accordingly, shares being sold are not being registered with the Securities and Exchange Commission in reliance upon the exemption provided in Sections 3(a)(11) and 4(2) of the Securities Act of 1933, as amended, for intrastate offerings and transactions not involving

any public offering. Each certificate representing these shares will bear a legend restricting the transfer of the shares in the absence of registration or an opinion from counsel for the Company that registration is not required. Each purchaser will be required to furnish the Company with a letter representing his intent to acquire the shares subject to the foregoing restrictions.

MANAGEMENT

Certain information concerning the officers and directors, their stock holdings, and remuneration, is set forth below:

L. Lowe Ashton, President and Director of the Company, is engaged in business in Heber City, Utah, where he is President of Ashton Oil & Transportation, Inc. and of Ashton's, Inc. (property management firm). Mr. Ashton has verbally agreed to enter into a definitive lease agreement with the Company covering certain real estate owned by him which may be used by the Company in connection with its proposed Heber City terminal. The lease rate will be fixed according to going lease rates for real property, but will contain an option clause whereby Mr. Ashton may have the right to convey such real estate to the Company in exchange for Common Stock at the rate of \$1.00 per share (the price paid by this initial investment group), and \$2,200 per acre. This per acre price is equal to Mr. Ashton's cost basis, including expenses, in the subject property. The terms of this lease and option agreement will be approved by the Board of Directors with Mr. Ashton abstaining.

Dr. R. Raymond Green, Vice-President and Director of the Company, has been engaged in the private practice of medicine in Heber City, Utah, for the past fifteen years.

Charles F. Nielson, Vice-President and Director of the Company, is employed as a locomotive engineer at Kennecott Copper Corporation.

J. Harold Call, Secretary and a Director of the Company, is an attorney engaged in the private practice of law in Heber City, Utah.

Edward M. McLaughlin, Treasurer of the Company, was employed as a Planner-Draftsman in the Weber County Planning Department.

USE OF PROCEEDS

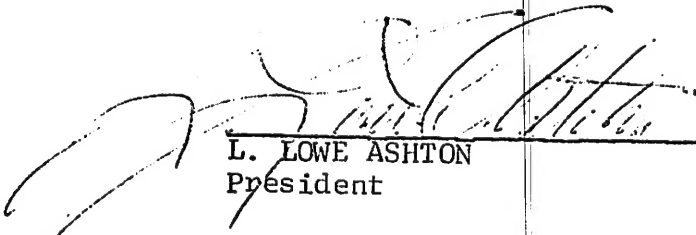
The \$62,900 to be invested in the Company by the investment group will be used primarily to replace and repair railway equipment and trackage, to restore and renew rolling stock, and to meet the operating expenses and payroll during the period the Company is preparing to commence operations. Amounts will also be allocated for expenses incurred in attempting to obtain additional financing. The price of \$1.00 per share for the 62,900 shares being purchased by the investment group has been arbitrarily established by the Company. The price does not purport to be based upon earnings or book value or assets presently held by the Company. The stock does not have a present market value and the Company does not represent that it may be resold at some future date for any determined amount. No sales commissions will be earned or paid for the sale of the investment stock. However, the Company has incurred expenses of approximately \$800 for legal and accounting services in connection with this transaction.

LEGAL AND FINANCIAL MATTERS

There are no material pending legal proceedings to which the Company is a party. There are no actions entered or contemplated against the Company or any of its officers or directors which could have a material adverse effect upon the business of the Company. The balance sheet summary of receipts and disbursements attached hereto dated April 30, 1971, have been prepared from the books of the

Company without audit but represent fairly the present financial condition as of the date therein. There has been no material adverse change in the Company's financial affairs since the date of this statement.

The Company is requesting that each member of the investment group receive a copy of this description and a copy of the financial statements referred to above. In addition, each investor is being requested to submit to the Company a letter confirming his status as a resident of the State of Utah and his intent to hold the stock purchased for investment purposes. The object of this procedure and of this entire transaction is to insure that all members of the investment group are fully informed concerning the affairs of the Company and of the restrictions upon transferability of their stock. The offering of securities involved in this transaction is limited to a few private individuals who should be thoroughly acquainted with the operation and prospects of the Company, including the speculative factors and risk.



L. LOWE ASHTON
President